IRS Competitive Sourcing: The Top 6 Myths

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Myth 1

Officials claim Competitive Sourcing saves the government money, but it doesn't really.

Fact

The Office of Management and Budget (OMB) reported that the 217 public-private competitions in FY 2004 are collectively estimated to generate net savings of approximately 1.4 billion over three to five years. One-time incremental costs to conduct the studies and oversight costs were approximately $110 million, which brings net savings to $1.1 billion. (Jan. 25, 2005 Report to Congress)

Annual savings add up to about $552 million -- roughly $22,000 average savings per Full Time Equivalent (FTE) studied. Since the government pays about $80,000 per FTE annually in salary and benefits, Competitive Sourcing efforts in FY 2004 yielded an average of 27 percent savings per FTE studied. The IRS first two major completed studies will save taxpayers more than $185 million over the next five years.

Myth 2

The aim of Competitive Sourcing is to give work to contractors.

Fact

No such goal exists. In fact, for fiscal year 2004, in-house teams were awarded the work for 90 percent of government competitions. The IRS has completed two full studies and the in-house teams were the successful bidders in both competitions. Because competition can enhance quality and lower cost, Competitive Sourcing studies aim for best value by determining competitively who can perform the requirement more efficiently and effectively. But the scope and the nature of the changes are free from predetermined expectations. Also in the IRS, every bid team has an NTEU team member that provides subject matter expertise for the work activity under study.

Myth 3

Competitive Sourcing brings major layoffs.

Fact

According to a 2004 study by University of Maryland researchers, major involuntary layoffs simply aren't happening. The study reviewed more than 65,000 jobs affected by about 1,200 Competitive Sourcing studies between 1994 and 2004. According to the report, only 5 percent of full-time civilian employees involuntarily lost their jobs as a result of Competitive Sourcing.

The IRS uses several "soft landing" options, such as buyouts and early retirements, priority placement for other jobs, and career assistance. The IRS supports impacted employees in a number of ways, including encouraging them to learn all they can to make informed decisions, providing training, and providing transition materials.

It is true that the amount of staff needed to deliver the service or product often changes even if a function is retained in-house. Such efforts are proposed as a way to reduce costs, improve processes, and competitively retain the function.

Myth 4

A contractor will bid low to win, then increase costs after contract award.

Fact

The IRS takes several steps to prevent this type of action from a contractor. First, IRS procurement officials ensure the performance work statement is clearly written, includes all required work and that workload data is as accurate as possible. A source selection plan is also carefully designed and bids are thoroughly evaluated.

Bids are subject to a rigorous evaluation process that examines the capability to perform at the cost proposed. This includes a technical evaluation, cost analysis and examination of a contractor's previous "track record." Unrealistically low bids are rejected as non-responsive. For large efforts, the IRS uses an expert board rather than an individual to evaluate proposals. A Quality Assurance Surveillance Plan (QASP) is used to further ensure that products and services achieve desired outcomes. The QASP documents the level of service and performance the provider is expected to achieve for each contract requirement.

Myth 5

Competitive Sourcing is politically driven.

Fact

Competitive Sourcing is 50 years old – it did not originate with this administration. The program's origins trace to 1955, with President Eisenhower's (R) policy requiring federal agencies to determine if their commercial activities could be more efficiently performed by the private sector.

In 1966, President Johnson (D) formalized OMB Circular A-76. In 1979, President Carter (D) issued the first Supplemental Handbook to the circular. President Clinton (D) introduced the Federal Activities Inventory Reform (FAIR) Act in 1998, with Vice President Gore including A-76 as a major element of Reinventing Government and the National Performance Review.

Finally in 2001, President Bush (R) requested agencies submit a separate inventory identifying all inherently governmental positions within agencies.

Myth 6

Competitive Sourcing is the same as outsourcing.

Fact

The major difference between Competitive Sourcing and outsourcing are government employees. Competitive sourcing allows employees to compete for government jobs with the private sector. Outsourcing does not afford government employees the opportunity to compete; with outsourcing, only private industry competes for the work. Competitive Sourcing conducts public-private competitions as a way of improving government performance and efficiency. A competition involves comparing proposed performance of the government organization with that of a private sector organization using cost, quality and other criteria.

The competition is rigorous to ensure both the private and public sectors compete on a level playing field. The objective: meet agency business requirements at a minimum cost to taxpayers without compromising quality. Used carefully, it can be one of the most effective tools for improving performance and cost efficiencies – regardless of who wins the competition.